TESTIMONY OF
REPRESENTATIVE EDWARD J. MARKEY (D-MA)
HOUSE JUDICIARY COMMITTEE HEARING ON
"SOLUTIONS TO COMPETITIVE PROBLEMS IN THE OIL INDUSTRY"

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Mr. Chairman, and Members of the Committee. I want to begin by thanking you for giving me the opportunity to testify at today's hearing.

As I consider the current energy outlook, I am struck by the transformation that has taken place since the early years after I first arrived in Washington. Back then, we had price controls on oil and natural gas – controls which had been in place since the Nixon Administration and which established at least 32 different prices for natural gas and 7 tiers of oil prices. Oil prices were beginning to spike upward from $13 towards a peak of over $37 a barrel. Consumers were about to resume facing gas lines at the pump. We were supposedly running out of natural gas and therefore had to pass a Fuel Use Act barring it from being used for electricity generation. President Carter was calling for a massive multi-billion dollar government investment in synfuels, which he claimed, was essential to meeting our future energy needs. Energy Secretary James Schlesinger was telling us that if we didn't build 1000 nuclear power plants we would be facing blackouts and brownouts across the country. We were going to strip oil from shale in a corner of Colorado that would, in light of the relevant impact upon the environment, be designated a "National Sacrifice Zone." New cars consumed an average of 12 miles per gallon, and Detroit was telling us they just couldn't make them any more energy efficient than the Model A Ford my Dad bought back during the Depression.

Today so much has changed. The concept of oil and gas price controls now seems as distant and dated as polyester leisure suits and avocado green refrigerators. The Carter-era synfuels program that was supposed to lead us out of the world of ever-higher oil prices actually had nothing to do with today's lower prices. In fact, the program is long dead, buried, and largely forgotten. Colorado survived. Moreover, today, we are awash in cheap natural gas – with pipelines coming down from off the coast of Nova Scotia that will transform our energy marketplace in New England. We haven't ordered a single new nuclear powerplant since 1973, but we have met our electricity needs with alternative fuels and by becoming more energy efficient. Today, new cars consume an average of 27 miles per gallon (although Detroit is still telling us they just can't make them any more energy efficient)!

But, in recent months, the world has again been facing an upward spike in oil prices. And while many observers believe that the current high prices are likely to be much shorter in duration and severity that the huge oil shocks we experienced back in the Seventies, these increased prices have put increased focus on the importance of a sound national energy policy and upon the competitive structure of the domestic oil and gas industries.

Over the course of the past year, the Commerce Committee's Energy and Power Subcommittee, on which I serve, held two hearings on the competitive issues raised by the Exxon-Mobil merger and another hearing on oil price increases in which we examined concentration in the oil industry. The testimony we received at those hearings has clearly indicated a tendency towards greater concentration in the domestic oil industry, a development which merits continued regulatory and Congressional attention. However, our hearings also showed that the Federal Trade Commission has been willing to vigorously examine oil company mergers and take strong legal action pursuant to its authorities under the federal antitrust laws to block anti-competitive mergers or require divestiture where necessary to address competitive problems. In both the Exxon-Mobil, and the BP/Amoco-ARCO cases, the FTC ordered divestiture of certain key assets or, in the BP/Amoco-ARCO case, was willing to block a proposed merger in order to force such divestiture. I would hope that the Committee would support providing increased resources for the FTC so it can continue its ongoing anti-trust work in these markets. For example, the FTC, in its most recent testimony to the Subcommittee, indicated that it is currently providing support to the Attorneys General of several Northeastern states that are currently investigating the increases in home heating oil and diesel fuel prices.

But in addition to focusing on the competitive issues within the industry, policymakers also must focus on assuring that our nation has a coherent national energy policy. In my view, such a policy must include the following elements:

- First, we should immediately reauthorize the President's authorities under the Energy Policy and Conservation Act, which empowers the President to draw down stocks from the Strategic Petroleum Reserve. EPCA is set to expire at the end of this week. Congress should schedule immediate action on the EPCA reauthorization bills before it expires – as the President has requested. I think that it sends a terrible signal to OPEC if, just a few days after the Vienna meeting, the U.S. Congress fails to reauthorize the President's power to deploy the Strategic Petroleum Reserve when and if needed.
- Second, we should create a regional refined product reserve in the Northeast in order to better insulate this region – which is most dependent on heating oil in the winter – from sudden, unexpected price shocks. The President has announced his support for such a Reserve, and last week, I sought to attach an amendment to the Oil Price Reduction Act (H.R. 3822), which would have accomplished this objective by amending the Markey-Lent-Moorhead amendment to EPCA to authorize such a regional reserve. Representative Sanders has also introduced a freestanding bill calling for such a Reserve. While enactment of such legislation would be desirable, it is important to recognize that EPCA already provides authority to the President to create a regional reserve.
- Third, we should increase our energy efficiency and diversify our fuel supply base. For example, the President and the Vice President have proposed a budget that includes over $1 billion next year to accelerate the research, development, and deployment of alternative and more efficient energy technologies, as well as $4.0 billion in tax incentives over five years to benefit our energy-reliant consumers and businesses. Unfortunately, the Budget Resolution passed by the House last week was silent about these tax incentives.
- Fourth, we should increase our investment in renewables and energy efficiency technologies that help our nation reduce its consumption of fossil fuels. For example, the Administration's budget request includes a proposed $275 million in R&D efforts next year to make offices, homes, and appliances 50% more energy efficient within a decade. People understand what that means for their home heating bill. Overall, meeting this goal would save consumers $11 billion a year in energy costs. Congress should fully fund this program.
- Fifth, we must assure that low-income working families get the help they need to reduce their consumption of fossil fuels. Expanding DOE's Weatherization Assistance Program would help low-income households make their homes more energy efficient. Such households are least able to afford high monthly energy costs. This program has already weatherized almost 5 million low-income homes and is saving 3.0 million barrels of oil each year. With funding from DOE and the states, our nation could add more than 150,000 homes to the list in the next year -- thereby saving more than an additional 91,000 barrels of oil per year. The Administration's budget request seeks $154 million for this program in FY 2001 and an additional $19 million for the current year in the FY 2000 supplemental spending bill. Congress should approve this request.
- Sixth, we should increase automobile fuel efficiency standards, and extend such standards to cover light trucks and sport utility vehicles. If we had adopted 45 mile-per-gallon CAFE fuel

standards for cars and 34 mile-per-gallon CAFE standards for Sport Utility Vehicles and light trucks five years ago, we would have saved 237 billion gallons of gas over that time. It is time for us to update CAFE standards, so that our automobile companies will take additional steps to make the vehicles we buy more fuel-efficient.

I believe that this package of initiatives would do much to reduce our nation's vulnerability to the type of oil price volatility that we have seen in recent months. I look forward to working with you, Mr. Chairman, and other Members of the Committee, to advance such measures in the coming year.